

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 SS-15 AID-05 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 SP-02 STR-07
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-----106519 242321Z /65

O R 242236Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS IMMEDIATE
INFO AMEMBASSY LONDON

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USEEC

E.O. 11652: NA

TAGS: ETRD, EAGR

SUBJECT: EC SUGAR

FOR UNDER SECRETARY COOPER FROM KATZ
FOLLOWING ARE DATA AND TALKING POINTS FOR USE IN YOUR
DISCUSSIONS WITH EC REPRESENTATIVES.

DATA ON THE EC SUGAR PROGRAM
--- DURING THE CALENDAR YEAR ENDING JUNE 30, 1978, THE
EC IS EXPECTED TO EXPORT 2.8 MILLION TONS OF REFINED
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SUGAR. THE EC WILL IMPORT ABOUT 1.4 MILLION TONS ON
A PREFERENCE BASIS FROM THIRD COUNTRIES. EC NET EXPORTS
ARE THUS EXPECTED TO TOTAL 1.4 MILLION TONS.

--- THE EC WAS A NET IMPORTER OF SUGAR EVERY YEAR FROM
1969 TO 1976.

--- EXPORT SUBSIDIES ON TOTAL EC SUGAR EXPORTS IN 77/78 ARE EXPECTED TO TOTAL 956 MILLION DOLLARS. EXPORT SUBSIDIES AVERAGE 11-13 CENTS PER POUND.

--- PLANTINGS FOR THE CURRENT CROP HAVE ALREADY BEEN MADE. ACREAGE IS OFF ONLY 2 PERCENT. IF EC YIELDS ARE AGAIN AS HIGH AS 1977/78 LEVELS, THE EC WILL HAVE A TOTAL EXPORTABLE SURPLUS OF OVER 3 MILLION TONS IN 1978/79. IF YIELDS RETURN TO AN AVERAGE RATE, THE EC EXPORT SURPLUS IN THE 1978/79 CROP YEAR COULD BE REDUCED TO 2.0 MILLION TONS.

--- SUBSIDIZED SUGAR EXPORTS HAVE AVERAGED 50,000 TONS PER WEEK. THIS LARGE DISPOSAL HAS MARKEDLY INCREASED WORLD SUPPLIES AND DEPRESSED PRICES.

--- THE EC COMMISSION RECENTLY RECOMMENDED A REDUCTION IN THE AMOUNT OF SUGAR ELIGIBLE FOR SUBSIDY BY 11 PER CENT. THE COUNCIL DECIDED ON A MUCH SMALLER REDUCTION - EQUALING ABOUT 5 PER CENT. BECAUSE OF THIS, AREA PLANTED IN BEETS NEXT SPRING (I.E. 1979) IS UNLIKELY TO DECREASE BELOW THIS YEAR'S LEVEL.

TALKING POINTS:

--- WE ARE PLEASED TO SEE THAT A GROUP OF MEMBERS OF LIMITED OFFICIAL USE

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THE INTERNATIONAL SUGAR AGREEMENT HAS BEEN FORMED TO CONSIDER EC MEMBERSHIP. WE HOPE THAT THE EC CAN MOVE AHEAD RAPIDLY ON DEVELOPING A FORTHCOMING MANDATE REGARDING PARTICIPATION IN THE ISA.

--- THE EC IS THE ONLY MAJOR EXPORTER WHICH DOES NOT APPEAR PREPARED TO ACCEPT QUOTA OBLIGATIONS. DURING THE GENEVA NEGOTIATIONS THE EC DID AGREE TO CONSIDER MEMBERSHIP BASED ON AN "EQUIVALENT OBLIGATION". THE EC PROPOSAL AT GENEVA WAS NOT COMPARABLE TO THE DEGREE OF SACRIFICE ACCEPTED BY OTHER MEMBERS.

--- AT PRESENT EC EXPORT SUBSIDIES ON SUGAR ARE COSTING THE COMMUNITY NEAR 1 BILLION DOLLARS PER YEAR. IT WOULD APPEAR TO BE IN THE COMMUNITY'S INTEREST TO REDUCE THIS LARGE EXPENDITURE.

--- SUGAR IS THE FIRST COMMODITY AGREEMENT NEGOTIATED UNDER UNCTAD IV. THE EC IS CONSPICUOUS BY ITS ABSENCE. THE EC NON-MEMBERSHIP IS INCONSISTENT WITH ITS GENERAL POLICY FAVORING INTERNATIONAL STABILIZATION AGREEMENTS.

ON THE FIRST OCCASION WHERE DISCIPLINES ON THE EC ARE INVOLVED, THE EC HAS NOT ACTED.

THE STRUCTURAL SUGAR SURPLUS OF THE EC INCREASES THE BURDEN OTHER EXPORTERS, EXPECIALLY LDC EXPORTERS, MUST BEAR. THE SIZE OF THE MARKET AVAILABLE TO THEM IS LESS AND THE MARKET PRICE THEY RECEIVE FOR WHAT THEY SELL IS LOWER. CHRISTOPHER

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